

**Minutes of a Virtual meeting of the Audit Committee
held on Thursday, 4th May 2023 at 9.30 a.m.**

PRESENT:

Mrs H McCartan, Non-Executive Director (Chair)
Mr M McDonald, Non-Executive Director
Mr J Wilkinson, Non-Executive Director

IN ATTENDANCE:

Dr M O’Kane, Chief Executive
Ms C Teggart, Director of Finance, Procurement and Estates, SHSCT
Mrs C Cassells, Assistant Director of Finance, Financial Management, SHSCT
Mrs F Jones, Corporate Financial Accountant, Fraud Liaison Officer, SHSCT *(Items 6i-10)*
Mrs A Rutherford, Assistant Director of Finance for Financial Services, SHSCT
Mrs V Toal, Director of Human Resources & Organisational Development *(Item 5i)*
Mrs C Reid, Director of Human *(Item 5i)*
Mr G Kennedy, Head of Laboratory Services *(Item 5i)*
Mrs C McKeown, Head of Internal Audit
Ms J McCaw, Assistant Head of Internal Audit
Ms A Strain, Manager – Internal Audit
Mr B Clerkin, Audit Partner – ASM, Belfast
Mr J McCallion, Senior Audit Manager – ASM, Belfast
Mr S Knox, Audit Manager, Northern Ireland Audit Office (NIAO)
Mr B Johnston, Higher Level Apprentice, NIAO
Mrs S Judt, Board Assurance Manager, SHSCT
Mrs S McCormick, Committee Secretary, SHSCT (Minutes)

APOLOGIES

None.

1) CHAIR’S WELCOME

Mrs McCartan welcomed everyone to the virtual meeting including representatives from both Internal and External Audit and especially welcomed Mr B Johnston, as an observer. Mrs McCartan stated that the Chief Executive would join the meeting later in the agenda.

2) **DECLARATION OF INTERESTS**

Mrs McCartan asked members to declare any potential conflict of interests in relation to items on the agenda. None were received and the business of the meeting proceeded.

3) **CHAIR'S BUSINESS**

None.

4) **MATTERS ARISING FROM PREVIOUS MEETING**

Members noted the progress updates from the relevant Directors to issues raised at the previous meeting held on 24th April 2023.

Mrs McCartan confirmed she had sent a letter of thanks and best wishes to Mr Neil Gray NIAO, in advance of his pending retirement.

5i) **INTERNAL AUDIT PROGRESS REPORT (3 REPORTS)**

Mrs McKeown presented the IA Progress Report, which demonstrates progress to date against the 2022/23 IA Plan and stated that three audit reports were issued for consideration by the Committee.

Payments to staff in Acute Services (Trust wide processes) – Limited Payments to staff in Acute Services (Laboratory Services) – Unacceptable

At the outset, Ms McCaw explained that the scope of the assignment was to assess the appropriateness and effectiveness of systems and procedures in place to manage the accuracy of payments to staff within the Trust. She advised that a Limited level of assurance is provided in relation to the systems of internal control over Trust wide Payments to staff processes on the basis that compliance with Staff in Post checks (SIP) remains a significant finding.

In relation to Payments to Staff in Laboratory Services, Mrs McKeown advised that an Unacceptable level of assurance is provided on the basis that the Trust has not fully aligned staff contracts to the provision of a 24/7 service within Laboratory Services. Members considered the finer detail and noted two significant findings had impacted on the assurance provided. One Priority 1, Ten Priority 2 and Two Priority 3 recommendations were raised which Management have accepted.

Mrs Toal was in attendance along with Mr G Kennedy to provide an update on progress post audit. At the outset of discussion, Mrs McCartan raised the generation and timely issue of the Staff in Post (SIP) Report, to which Mrs Cassells confirmed that following review, a process has been agreed with Human Resources (HR) colleagues to produce the SIP report a fortnight earlier than the current process. Mrs McCartan welcomed this and emphasized the importance of ensuring information is communicated in a timely manner in order to assist in reducing overpayments to staff. She added it was a key component of a Manager's role and must be a prominent matter for discussion and action across Directorate teams.

Whilst Ms Teggart recognized the importance of SIP reports, she emphasized the importance of ensuring quality and timely input of information from the beginning of the process. Mrs McCartan concurred and recorded thanks to Mrs Cassells for her work to date with Directorates, working towards improving the timely issue of SIP reports. Members were mindful that the payroll bill must be managed prudently and of the importance of this work for the Trust in light of the current challenges with managing financial discipline and financial productivity and sustainability now and into the future.

In relation to Payments to Labs, Mrs McCartan asked if it was possible to change the Terms and Conditions of Staff to be consistent and compliant with Agenda for Change Terms and Conditions. In responding, Mrs Toal welcomed the report findings which would provide full transparency across all disciplines. She stated that the majority of staff are on 24/7 contracts with the exception of a small cohort, however pointed out the Agenda for Change 'On-call' arrangements should be applicable to everyone despite their contract. Members noted discussions are underway regionally in relation to the pathology blueprint and what it means for the future configuration of Laboratory Services within HSC.

In relation to the Microbiology Lab, Mrs Toal stated that due to service demands, a change to working patterns is required, however, it will need additional staff and take time to implement. She advised that Mr Kennedy was working with the management team to prepare an Agenda for Change paper and would be supported by Finance and HR, however she reiterated in order to move towards this, a significant number of additional staff will be required. Mrs Toal assured members that Labs are fully aware that where things are not in line with Agenda for Change, plans need to be enacted to transfer staff and there should be transparency with the Senior Leadership (SLT) Team in terms of how they intend to move over in accordance with the recommendations.

Mrs C Reid acknowledged the report findings were disappointing. She assured members that as Director with responsibility for Labs, she was committed, along with staff, to making the changes required and to ensure the staff are paid appropriately in order to reduce the financial burden on the Trust. She stated she would work with Mr Kennedy and Mr Conway to take the action plan forward.

Mrs McCartan said it was disappointing that the report issued in December 2022 had taken so long to come to the Audit Committee for discussion and emphasized the Trust must improve performance against the Key Performance Indicators (KPIs) reported in the Head of Internal Audit Annual Report to ensure draft reports come through the system in an efficient way. She recorded her intention to raise this matter with all Directors as they appear before this Committee.

In conclusion, Mrs Toal stated she wanted to flag recommendation 3.1 in regards to strengthening the monitoring of enhancements and overtime. She highlighted the fact that the Trust cannot absorb all the additional requirements from monitoring recommendations made by IA without additional resources being put in place. Mrs Toal assured members Trust Management are committed to fulfilling the recommendations. Mrs McCartan stated the matter should be discussed further with the Chief Executive and SLT and reiterated the Organization must be focused on strengthening internal controls in this area in light of the need to ensure the prudent stewardship of public funds.

In response to a question from Mr McDonald, Mrs Toal clarified that Agenda for Change was the only negotiated agreement in relation to the Terms and Conditions of Staff. Moving forward she stated it was important proper discussion and consultation takes place with staff and the existing arrangements should be documented and taken to the SLT and Trust Board for approval with an agreed time bound exit plan.

Ms C Reid and Mr G Kennedy left the meeting at this point

Management of Estates Works Projects – Limited

At the outset, Mrs McKeown pointed out Trust management had requested the topic as an additional audit to the IA plan in 2022/23. It focused on minor works projects procured by the Trust Estates Department, and as part of this assignment, a review of the Trust's own investigations into Whistleblowing concerns raised from 2018 was undertaken. Mrs McKeown advised a Limited level of assurance is provided on the Management of Estates Works Projects. She pointed out it was important to note the context under which the Estates Department have been operating in the last

number of years due to Covid19 and she also acknowledged throughout the report that CPD Health Estates had given permission to the Trust to use the Trust Short Terms Service Contract (STSC) on projects with a value in excess of the published permitted maximum order value during 2020/21 and 2021/22 due to the exceptional circumstances being experienced due to Covid and the subsequent hyperinflation.

In relation to the Whistleblowing element, IA reported there were also significant delays in investigating and concluding on the whistleblowing concerns raised in relation to Estates Works Projects. Members considered the three significant findings along with a number of other key findings that had impacted on the assurance provided. One Priority 1 and Thirteen Priority 2 recommendations were raised which management have accepted.

At this point, Mrs McKeown advised that finding 6 on page 34 within the executive summary, had been included by way of error and she agreed to re-issue the final report following the meeting.

Mrs Toal was invited to speak and provided some context to the rationale for asking IA to review the Trust's own investigations into Whistleblowing concerns. Mrs Toal alluded to the complexities and challenges around the concerns raised and stated that whilst she accepted the timescales in terms of the case raised by the named individual were poor, engagement had been underway with the individual to better establish what the concerns were and added a lack of internal expertise had contributed to significantly slowing the process down. By way of learning, Mrs Toal stated the IA report had highlighted a gap in internal expertise and a more proactive approach to engage externally is required in the future. She welcomed the IA report as a helpful tool to assist the Trust in bringing the concerns raised to a conclusion.

Mr Wilkinson, Non-Executive Director with responsibility for raising concerns agreed to meet with Mrs Toal following the meeting to discuss the matter further.

Mrs Toal left the meeting at this point

In terms of further recommendations made within the report, Mrs McCartan said firstly, it was important to acknowledge the work of the Estates Department throughout Covid19, emphasizing their commitment to the Trust right across the divisions, however she pointed out there were a number of gaps which required addressing. By way of response, Ms Teggart stated clearly that the unusual circumstances had contributed to the majority

of Estates work having to be carried out more speedily than the normal process would allow in terms of Business Cases and going into the tendering process. She added that CPD Health Projects had given their permission to use the Trust's Terms Service Short Contract (TSSC) on projects however, she emphasized post Covid19 there was an urgency to ensure Trust processes revert to normality and due procedures are followed in relation to procurement and she alluded to the challenge ahead in terms of the breadth of the Business Case process. Ms Teggart referred to the rigorous DoH process in relation to Business Cases which she has raised with Director of Finance colleagues and stated a regional group has been set up to look at the issues further with the Strategic Performance and Planning Group (SPPG). Ms Teggart recognized the matter was a gap in good governance and the risk would be monitored through the Strategic Investment Committee.

By way of reassurance, Ms Teggart advised the Trust will work to strengthen communication and engagement within Estates, as well as moving to enhance the structure and culture of the Estates Department into the future. Members noted IA have been asked to undertake a follow up exercise in this area in due course.

Management of Nurse Shifts and Off Contract Agency Usage

Mrs McKeown explained that in light of the upcoming implementation of the nursing agency framework and the need for an audit of the new processes following the implementation, the agreed focus for the 2022/23 audit work was the management of shifts at specific wards. Members welcomed the report, which will help to shape internal processes going forward under the new framework document. Mrs McKeown advised once the new Framework has been implemented, Internal Audit will revisit the Trust to undertake an assurance audit on agency and bank staff. It is envisaged this work will take place in 2023/24.

Members considered the detail and noted a number of recommendations in the areas of Critical Shift Payment (CSP) Protocol and Processes, use of CSP and Off-Contract Agencies and Management Information and Analysis. Mrs McCartan asked if an Action Plan would be developed to monitor the recommendations set out by Internal Audit. In responding, Ms Teggart stated there will be a regional approach going forward. Trust management await the issue of the new revised regional nursing agency framework later in the month and will move to update its own internal guidance accordingly. Ms Teggart added the IA report has been very useful and the recommendations have been fed through to the regional agency reduction group. Mrs McCartan said it was critical the Trust implement regional

direction as swiftly as possible in order to start complying to assist with savings targets. Ms Teggart concurred and stated the driver for improvement must be a consistent regional approach and she reiterated the Trust is heavily reliant on savings from off contract agency to be able to achieve efficiency savings in the 2023/24 financial year. Staff have already been made aware of the impending agency framework and the Trust is beginning to see staff moving off the off contract into substantive posts within the Trust.

Mr McDonald raised a number of points of concern and suggested that from a Governance perspective it was important to seek assurance from the Director of Nursing, Midwifery and AHPs through her regular reports to Governance Committee, how the process is currently being managed. Mr McDonald recognized there were changes required at a regional level, however he said improvements could be made now in terms of the day to day management of rotas. Mrs McCartan concurred and emphasized that if there were transitional months, the Trust must ensure the current governance arrangements are being strengthened. Members agreed with the suggested approach.

Action – Mrs Trouton

5ii) BSO SHARED SERVICE SUMMARY REPORT

Mrs McKeown presented the BSO Internal Audit Shared Services Summary report and members noted the assurance provided by IA in respect of the shared service audit as follows:-

Recruitment Shared Service Centre (*Recruitment Processes*)
Limited

The Committee noted Limited assurance was provided in respect of Recruitment processes on the basis that the operating challenges that were evident in last year's Internal Audit in RSSC and the wider HSC in terms of recruitment processes remain. Members noted the finer detail and Mrs McKeown advised a Programme Board has recently been established to implement required transformation of the HSC Recruitment Process. Whilst the outcome of the report was disappointing, Mrs McCartan acknowledged the numerous challenges.

5iii) HEAD OF INTERNAL AUDIT ANNUAL REPORT

Mrs McKeown presented her report which summarises the work of Internal Audit during the 2022/23 financial year and stated it was her

overall opinion that Satisfactory assurance is provided on the adequacy and effectiveness of the organisations framework of governance, risk management and control for year ended 31 March 2023.

Mrs McKeown pointed out it was important to note that whilst overall Satisfactory assurance is provided, Unacceptable/Limited assurance is provided in a number of areas and that urgent management action is required to address the significant issues raised in the Assurance Reports. Of the 18 IA assignments conducted during 2022/23, 6 received Satisfactory assurance, 6 received Limited assurance and 6 received a hybrid assurance rating.

Members considered the Key Performance Indicators (KPIs) for 2022/23 and were in agreement with the view of Mrs McKeown, that there was a need for more timely responses from executive management in relation to IA draft reports.

The Chief Executive joined the meeting at this point.

Discussion ensued and Mrs McCartan welcomed the honest comments provided by Mrs McKeown in relation to her overall assurance opinion. Mrs McCartan stated she would be reflecting this in her Chair's Report to the Trust Board on 25th May 2023. The Chief Executive acknowledged there was significant work to do across a number of areas and provided assurance that the Trust Senior Leadership Team (SLT) would take a proactive approach to implement the recommendations identified in a swift manner along with ensuring improvement on KPI performance.

In conclusion, on behalf of members, Mrs McCartan recorded thanks to IA representatives for their diligence and professionalism throughout the financial year and welcomed the positive and productive engagement with Trust management and the Committee. Ms Teggart concurred with these remarks on behalf of the Trust Finance Team.

6i) DRAFT ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

In presenting the draft Annual Report and Accounts for the year ended 31 March 2023, Ms Teggart reminded members the financial statements remain in draft form and are subject to on-going internal management review and external audit by ASM, Belfast and the NIAO.

Ms Teggart guided members through the key elements, advising that the Trust had achieved financial breakeven for 2022/23 with a small surplus

of £33k. Revenue from all sources amounted to £924m, including Covid-19 funding. The Capital Resource Budget for 2022/23 was c£40.2m with a £1k underspend. Members were advised that the Board will consider a detailed reconciliation between period 12 Management Accounts and period 13 Financial Accounts at the June 2023 Board meeting. Ms Teggart stated it was important to note that the final Revenue Resource Limit reflects the £15.9m retraction of Holiday Pay and Sick Pay Accrual Funding. Monies held on behalf of patients/residents amounted to £11.4m, an increase of £285k on prior year balances.

In relation to prompt payment statistics, Ms Teggart welcomed good performance with the Trust achieving 93.47% of invoices paid within the 30 day period. Management costs remain at 3% of total income on a like for like basis with prior year figures. The number of whole time equivalent (WTE) persons employed during the year rose by 2.78% on prior year figures to 345. Ms Teggart advised staff costs increased by £23,042k or 3.85% from prior year. In relation to Non-Pay expenditure, members noted a decrease of £7,127k or 1.8% and considered the finer detail.

Ms Teggart continued and outlined in detail for members, the Balance Sheet movements including Assets and Liabilities, and provisions.

A robust discussion took place on all elements of the financial statements.

On behalf of the Committee, Mrs McCartan recorded appreciation to the Director of Finance along with the Assistant Directors of Finance and the wider Finance Team, on delivering such a high standard of draft accounts and meeting the tight timescales. Mrs McCartan noted the difficult budgetary environment and whilst having received financial help from the Department of Health, welcomed the achievement of a breakeven position at the close of the financial period. She commended the diligent work of both the Finance and Estates teams, to ensure the Capital allocation was fully utilised within the period under review. Members were referred to page 13 of the narrative paper and Mrs Rutherford was asked to include 'actual spend' in the final accounts to the Board in June 2023.

Mr S Knox referred to pages 3 and 4 and asked why an increase in the number of WTE staff numbers did not appear to have translated into a decrease in the medical and non-medical agency spend. In responding, Ms Teggart explained sickness absence throughout the winter period had significantly impacted staff numbers and spend on flexible arrangements increased to meet demand, however she assured members that the Trust continues to work towards implementing the

regional cessation of use of Agency Nursing/Midwives employed by Off-Framework Recruitment Agencies in Health and Social Care Organisations in Northern Ireland. Members noted vacant posts are being filled by International nurses and staff numbers are increasing as agency posts revert to permanent contracts across the Trust.

Members briefly referred to the £2m deficit issue reported to Audit Committee earlier in the financial year and welcomed the assistance from the DoH at year end to achieve a breakeven position. Mrs McCartan stated the financial months ahead were likely to be significantly challenging.

In drawing discussion to a close Mrs McCartan stated discussion would continue at the next meeting scheduled for 15th June, once the external audit had concluded.

Mr S Knox left the meeting at this point.

7) DRAFT GOVERNANCE STATEMENT 2022/23

On behalf of the Chief Executive as Accounting Officer, the Director of Finance presented the draft Governance Statement for the year ended 31 March 2023 and highlighted the key elements. Members noted the document has been reviewed by the SLT and will be submitted to the Department of Health on 5th May 2023 in draft form.

Ms Teggart spoke about the additional 5 significant internal control divergences which have been identified in 2022-23 and members noted the actions being taken to address weaknesses in internal control. The Chief Executive referred in particular to the current uncertainty in relation to the Budget Position and Financial Outlook.

In response to a question from Mrs McCartan, the Chief Executive confirmed she was content with the narrative within the document summarising Risk Management and advised the Board would consider 'Risk' further at a forthcoming Workshop scheduled for 18th May 2023. Mr McDonald asked if the ongoing Consultation on Emergency General Surgery at Daisy Hill Hospital (DHH), required being identified as a potential risk. The Chief Executive acknowledged difficult conversations with the public would be required, however she advised work was required in the area of Acute Medicine and the picture would become clearer over the next few weeks.

In response to a question from Mrs McCartan, the Accounting Officer confirmed she was content that the Trust has operated a sound system

of internal control, risk management and corporate governance during the year 2022/23. However, she recognised there are a number of significant areas requiring action in 2023/24.

At the conclusion of discussion, members welcomed the comprehensive document along with the assessment of the system of internal control in operation within the Trust throughout 2022/23 provided by the Accounting Officer. Mrs McCartan reminded members the document is considered separately by the Governance Committee and subject to ongoing review during the course of the Audit. The document remains in draft form and any amendments should be forwarded to Ms Teggart for consideration after the meeting.

Mrs McCartan asked that members would review the Consideration of Losses for Write-Off at this point on the agenda.

6ii) CONSIDERATION OF LOSSES FOR WRITE OFF

Ms Teggart presented the Statement of Losses and Special Payments for the year ended 31 March 2023 and supporting narrative. In particular members noted the bad debts administrative write-offs of £153k and the stores losses of £351k. Ms Teggart highlighted the total value of losses incurred for the period of £509m and the quantum of Clinical Negligence Compensation Payments (66 cases) paid out during 2022/23 amounting to c£4.42m. This is a decrease from the prior year sum of c£535m paid out against 81 cases. There were 2 payments in excess of £250k.

Members considered Stores Losses and a robust discussion ensued around the write off of expired, damaged and discontinued pharmacy stock. The Chief Executive alluded to a number of improvement initiatives being taken forward to address pharmacy losses and wastage reduction and it was agreed that a summary report would be provided to the Governance Committee on 7th September 2023.

Action – Mrs T Reid / Ms A McCorry

Members were content to recommend the Statement of Losses and Special Payments for onward submission to Trust Board for approval at the meeting scheduled to take place on 22nd June 2023.

8) DRAFT ANNUAL REPORT AND CHARITABLE TRUST FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

Mrs Jones presented the draft Charitable Trust Funds Accounts 2022/23 and advised the draft financial statements were due for submission to the

Department of Health on 5th May 2023, in line with the departmental reporting timeframe and remain subject to on-going internal management review and external audit.

Members noted that as in prior years, the Trust's Charitable Fund Account is consolidated with the public funds. Mrs Jones outlined the key financial performance indicators for 2022/23, with income totalling £439k, an increase of £75k when compared with prior year figures. Likewise, members noted an increase in expenditure totally £769k, a growth of £159k on the prior year.

The total value of funds at 31 March 2023 amounted to £6.38m.

On behalf of the Committee, Mrs McCartan thanked Ms Teggart and the wider Finance team for their expertise in administering the Charitable Trust Funds throughout the year and also their commitment to delivering the draft Trust Fund financial statements to a challenging timeframe. She reminded members the final audited Charitable Trust Fund Accounts will be reviewed by the Endowments and Gifts Committee and the Audit Committee on 15th June 2023, prior to onward submission to Trust Board for formal sign off on 22nd June 2023.

9) TRAINING AND DEVELOPMENT

Members were reminded to continue to avail of learning and development opportunities.

10) ANY OTHER BUSINESS

The Chair recorded thanks to everyone for their support and commitment to the work of the Committee throughout another financial year and working against an extremely challenging operational environment.

By way of reminder, Mrs McCartan advised that in keeping with good practice procedures, Audit Committee members will meet Internal and External Audit representatives in closed session prior to the Audit Committee meeting on 15th June 2023. The Endowments and Gifts Committee will also meet to review the draft Annual Report and Charitable Trust Fund Accounts prior to the Audit Committee meeting. Following a short discussion, Mr Clerkin advised he would liaise further with the Board Assurance Manager following the meeting, in order to try and facilitate the Auditors attendance at a number of Committee meetings on the 15th June.

The meeting concluded at 12.30 p.m.

SIGNED: _____

DATED: _____